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SUBJECT: EGYPT'S ECONOMY: SEPTEMBER 16 PRESS ROUND-UP

11. (U) The following are notable economic news stories that appeared over the past week in the Egyptian press:

Egypt's Ranking in 2010 Doing Business Report

12. (U) Egypt kept its position as one of the 10 top reformers for the fourth consecutive year according to the World Bank's 2010 Doing Business Report. According to the report, Egypt reduced the cost of starting business, shortened the time it takes to obtain a building license, broadened information prepared by the Egyptian credit bureau, and created commercial courts. (Al Sharq Al Awsat, 9/9/2009)

Inflation Declines in August 2009

14. (U) According to the data released by the Central Agency for Public Mobilization and Statistics (CAPMAS), annual urban headline inflation declined to 9.04% in August 2009, from 9.98% in July 2009. On a monthly basis, food prices increased, but by a lower magnitude than in July, registering 3.1%, compared to 4.2% in July. Prices of items in hotels and restaurants and miscellaneous items also rose by a lower magnitude, of 0.1% and 0.2%, respectively, compared to 3.5% and 0.6% in July (Al Akhbar, 9/9/2009).

Chinese Investments in Egypt

15. (U) Minister of Investment Mahmoud Mohiedin stated that 300 Chinese companies will participate in the Egyptian-Chinese Investment Forum in Sharm El-Sheikh during November 2009. Chairman of the Chinese Council for Promotion and International Trade declared interest in increasing Chinese investments in Egypt, especially in infrastructure projects. Mohiedin said there are 16 Chinese factories in economic zones with investments totaling US\$3.5 billion in various fields including fertilizers, petrochemicals, paper, steel, and building materials, and generating about 15,000 jobs. The Egyptian minister expected an increase in Chinese investment, placing China among the top 10 investors in Egypt (Al Alam Al Youm, 9/9/2009).

More Gas Exported to Europe at Low Price

16. (U) Egyptian General Petroleum Corporation (EGPC) exported 103 BCF (Billion cubic feet) of gas to the Spanish Union Fenosa during FY 2008/09 which was about 41% more than planned. The price of the exported gas was US\$ 308 million. Reports indicate that the average price of the gas sold to Union Fenosa is about US\$2.99 per one million BTU (British Thermal Unit). This price is 1 cent less than the price of natural gas sold to local energy intensive factories in

Egypt and is only 34 cent more than the real cost of the production (the average cost of the production of 1 million BTU of Egyptian NG is \$2.65). Some local experts protested the sale, claiming that Egypt is selling its energy resources at very low prices (Al Masry Al Youm, 9/8/2009).

Iraqi--Egyptian Cooperation in the Field of Oil Drilling

17. (U) According to a press report issued by the Ministry of Petroleum, members of an official delegation visiting Iraq have agreed to establish an operational center for drilling oil at El Basra. The article claims that this is the first Arabic presence in that region in the field of oil drilling (All Newspapers, 9/9/2009).

EFSA Rejects Third France Telecom Appeal over Mobinil

18. (U) Khaled Serry Seyam, Deputy Chair of the Egyptian Financial Supervisory Authority (EFSA) announced that EFSA upheld the Capital Market Authority's decision to reject France Telecom's (FT) third offer to buy outstanding Mobinil shares. EFSA rejected the appeal because the price offered by FT was less than the LE273.26 (US\$49.7) price per share FT paid to acquire FT shares from Orasco Telecom. Seyam stated that France Telecom offered LE230per share (US\$41.8) in its third bid (Al Masry Al Youm, Al Akhbar, 9/8/2009).

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